

Message Text

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16

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REFS: A. STATE 86374

B. BUDAPEST 552

1. DIRECT INVESTMENT IN HUNGARY: HUNGARIAN GOVERNMENT DECREES OF 1969 AND 1972 MAKE IT THEORETICALLY POSSIBLE FOR A FOREIGN INTEREST TO OWN UP TO 49 PERCENT OF A JOINT CORPORATION ESTABLISHED IN HUNGARY IN COOPERATION WITH A HUNGARIAN PARTNER. UNDER THE 1969 LAW, SUCH A JOINT CORPORATION WOULD BE PERMITTED TO ENGAGE IN MARKETING AND RESEARCH ONLY; HOWEVER, THE 1972 DECREE WOULD ALSO PERMIT JOINT COMPANIES TO ENGAGE IN PRODUCTION SUBJECT TO THE SPECIFIC APPROVAL OF THE COUNCIL OF MINISTERS. YET WHILE THESE DECREES REMAIN ON PAPER THE HUNGARIAN GOVERNMENT HAS NOT YET GIVEN THE NECESSARY APPROVAL TO THE ESTABLISHMENT OF ANY JOINT COMPANY WITH FOREIGN EQUITY INVESTMENT AND PRESENT INDICATIONS ARE, IF APPROVAL IS FORTHCOMING AT ALL, IT WILL BE GRANTED ONLY ON A MOST EXCEPTIONAL BASIS. THERE ARE NO OTHER POSSIBILITIES FOR FOREIGN INVESTMENT IN HUNGARY.

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2. POSSIBILITIES FOR COOPERATION: HUNGARY HAS BEEN

PERHAPS THE MOST ACTIVE OF ALL THE EAST EUROPEAN COUNTRIES IN ENCOURAGING COOPERATION AGREEMENTS AND SO FAR OVER 300 SUCH AGREEMENTS HAVE BEEN SIGNED BETWEEN HUNGARIAN ENTERPRISES AND WESTERN FIRMS. IN GENERAL THESE HAVE INVOLVED PRODUCTION-SHARING AGREEMENTS AND LICENSING-REPURCHASE AGREEMENTS. EXAMPLES OF SUCCESSFUL COOPERATION ARRANGEMENTS INVOLVING AMERICAN CORPORATIONS HAVE BEEN THE CONSTRUCTION OF LUXURY HOTELS AND THE IMPLEMENTATION OF AMERICAN-INSPIRED CLOSED-PRODUCTION FARMING METHODS IN HUNGARIAN AGRICULTURE. AMERICAN COMPANIES INTERESTED IN DOING BUSINESS ON THE BASIS OF SUCH COOPERATIVE AGREEMENTS CAN GENERALLY EXPECT AN ENTHUSIASTIC AND POSITIVE RESPONSE FROM THE HUNGARIAN SIDE.
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